

**EIGHTY-FOURTH GENERAL ASSEMBLY  
2011 REGULAR SESSION  
DAILY  
HOUSE CLIP SHEET**

MAY 5, 2011

**HOUSE AMENDMENT TO SENATE AMENDMENT TO  
HOUSE FILE 651**

**H-1711**

1 Amend the Senate amendment, H-1662, to House File  
2 651, as passed by the House, as follows:  
3 1. By striking page 1, line 3, through page 3, line  
4 33, and inserting:  
5 <\_\_\_\_. By striking everything after the enacting  
6 clause and inserting:  
7 <Sec. \_\_\_\_\_. Section 35A.11, Code 2011, is amended by  
8 adding the following new subsection:  
9 NEW SUBSECTION. 8A. Combat infantryman badge,  
10 combat action badge, combat action ribbon, air force  
11 combat action medal, and combat medical badge plates  
12 issued pursuant to section 321.34, subsection 20C.  
13 Sec. \_\_\_\_\_. Section 321.34, Code 2011, is amended by  
14 adding the following new subsections:  
15 NEW SUBSECTION. 20C. Combat infantryman badge,  
16 combat action badge, combat action ribbon, air force  
17 combat action medal, and combat medical badge plates.  
18 a. The department, in consultation with the  
19 adjutant general, shall design combat infantryman  
20 badge, combat action badge, combat action ribbon, air  
21 force combat action medal, and combat medical badge  
22 distinguishing processed emblems. Upon receipt of two  
23 hundred fifty orders for special combat infantryman  
24 badge, combat action badge, combat action ribbon, air  
25 force combat action medal, or combat medical badge  
26 special registration plates, accompanied by a start-up  
27 fee of twenty dollars per order, the department  
28 shall begin issuing special registration plates with  
29 the applicable distinguishing processed emblem as  
30 provided in paragraphs "b" and "c". The minimum  
31 order requirement shall apply separately to each of  
32 the special registration plates created under this  
33 subsection.  
34 b. An owner referred to in subsection 12 who was  
35 awarded a combat infantryman badge, combat action  
36 badge, combat action ribbon, air force combat action  
37 medal, or combat medical badge by the United States  
38 government may, upon written application to the  
39 department and presentation of satisfactory proof of  
40 the award, order special registration plates with a  
41 combat infantryman badge, combat action badge, combat  
42 action ribbon, air force combat action medal, or  
43 combat medical badge processed emblem. The special  
44 plate fees collected by the director under subsection  
45 12, paragraphs "a" and "c", from the issuance and  
46 annual validation of letter-number designated and  
47 personalized combat infantryman badge, combat action  
48 badge, combat action ribbon, air force combat action  
49 medal, and combat medical badge plates shall be paid  
50 monthly to the treasurer of state and deposited in

**H-1711**

1 the road use tax fund. The treasurer of state shall  
2 transfer monthly from the statutory allocations fund  
3 created under section 321.145, subsection 2, to the  
4 veterans license fee fund created in section 35A.11 the  
5 amount of the special fees collected under subsection  
6 12, paragraph "a", in the previous month for combat  
7 infantryman badge, combat action badge, combat action  
8 ribbon, air force combat action medal, and combat  
9 medical badge plates.

10 c. The surviving spouse of a person who was issued  
11 special plates under this subsection may continue  
12 to use or apply for and use the special plates  
13 subject to registration of the special plates in  
14 the surviving spouse's name and upon payment of the  
15 annual five-dollar special plate fee and the regular  
16 annual registration fee for the vehicle. If the  
17 surviving spouse remarries, the surviving spouse shall  
18 return the special plates to the department and the  
19 department shall issue regular registration plates to  
20 the surviving spouse.

21 NEW SUBSECTION. 25. Civil war sesquicentennial  
22 plates.

23 a. The department, in consultation with  
24 the adjutant general, shall design a civil war  
25 sesquicentennial distinguishing processed emblem. Upon  
26 receipt of two hundred fifty orders for special civil  
27 war sesquicentennial special registration plates,  
28 accompanied by a start-up fee of twenty dollars per  
29 order, the department shall begin issuing special  
30 registration plates with a civil war sesquicentennial  
31 processed emblem as provided in paragraph "b".

32 b. An owner referred to in subsection 12,  
33 upon written application to the department, may  
34 order special registration plates with a civil war  
35 sesquicentennial processed emblem. The special plate  
36 fees collected by the director under subsection 12,  
37 paragraphs "a" and "c", from the issuance and annual  
38 validation of letter-number designated and personalized  
39 civil war sesquicentennial plates shall be paid monthly  
40 to the treasurer of state and deposited in the road  
41 use tax fund. The treasurer of state shall transfer  
42 monthly from the statutory allocations fund created  
43 under section 321.145, subsection 2, to the department  
44 of cultural affairs the amount of the special fees  
45 collected under subsection 12, paragraph "a", in the  
46 previous month for civil war sesquicentennial plates,  
47 and such funds are appropriated to the department of  
48 cultural affairs to be used for the Iowa battle flag  
49 project.

50 NEW SUBSECTION. 26. Fallen peace officers plates.

1 a. The department, in consultation with the  
2 department of public safety and concerns of police  
3 survivors, inc., shall design a fallen peace officers  
4 distinguishing processed emblem. Upon receipt of two  
5 hundred fifty orders for fallen peace officers special  
6 registration plates, accompanied by a start-up fee of  
7 twenty dollars per order, the department shall begin  
8 issuing special registration plates with a fallen peace  
9 officers processed emblem as provided in paragraphs "b"  
10 and "c".

11 b. An owner of a motor vehicle referred to in  
12 subsection 12, upon written application to the  
13 department, may order special registration plates  
14 with a fallen peace officers processed emblem. The  
15 special fee for letter-number designated fallen  
16 peace officers plates is thirty-five dollars. The  
17 fee for personalized fallen peace officers plates is  
18 twenty-five dollars, which shall be paid in addition to  
19 the special fallen peace officers fee of thirty-five  
20 dollars. The fees collected by the director under  
21 this paragraph shall be paid monthly to the treasurer  
22 of state and deposited in the road use tax fund. The  
23 treasurer of state shall transfer monthly from the  
24 statutory allocations fund created under section  
25 321.145, subsection 2, to the department of public  
26 safety the amount of the special fees collected in the  
27 previous month for the fallen peace officers plates  
28 and such funds are appropriated to the department  
29 of public safety. The department of public safety  
30 shall distribute one hundred percent of the funds  
31 received monthly in the form of grants to nonprofit  
32 organizations that provide resources to assist in  
33 the rebuilding of the lives of surviving families  
34 and affected coworkers of law enforcement officers  
35 killed in the line of duty. In the awarding of  
36 grants, the department of public safety shall give  
37 first consideration to concerns of police survivors,  
38 inc., and similar nonprofit organizations providing  
39 such resources. Notwithstanding section 8.33, moneys  
40 transferred under this subsection shall not revert to  
41 the general fund of the state.

42 c. Upon receipt of the special registration plates,  
43 the applicant shall surrender the current registration  
44 plates to the county treasurer. The county treasurer  
45 shall validate the special registration plates in  
46 the same manner as regular registration plates are  
47 validated under this section. The annual special  
48 fallen peace officers fee for letter-number designated  
49 plates is ten dollars, which shall be paid in addition  
50 to the regular annual registration fee. The annual

1 special fee for personalized fallen peace officers  
2 plates is five dollars, which shall be paid in addition  
3 to the annual special fallen peace officers fee and  
4 the regular annual registration fee. The annual  
5 special fallen peace officers fee shall be credited and  
6 transferred as provided under paragraph "b".

7 Sec. \_\_\_\_\_. Section 321.145, subsection 2, paragraph  
8 b, subparagraph (3), Code 2011, is amended to read as  
9 follows:

10 (3) The amounts required to be transferred pursuant  
11 to section 321.34 from revenues available under  
12 this subsection shall be transferred and credited as  
13 provided in section 321.34, subsections 7, 10, 10A, 11,  
14 11A, 11B, 13, 16, 17, 18, 19, 20, 20A, 20B, 20C, 21,  
15 22, 23, ~~and~~ 24, 25, and 26 for the various purposes  
16 specified in those subsections.>

17 \_\_\_\_\_. Title page, lines 2 and 3, by striking <plate,  
18 establishing fees, and making an appropriation.> and  
19 inserting <plate, special fallen peace officers plates,  
20 and special military combat plates, establishing fees,  
21 and making appropriations.>>

22 2. By renumbering as necessary.

**By** TJEPKES of Webster

HOUSE FILE 678

H-1709

- 1 Amend House File 678 as follows:
- 2 1. Page 1, line 10, by striking <the> and inserting
- 3 <a>
- 4 2. Page 1, line 11, after <fees> by inserting <for
- 5 products or services>
- 6 3. Page 1, line 12, after <2.> by inserting
- 7 <"Organization" includes a related for-profit or
- 8 not-for-profit subsidiary of an organization.>
- 9 4. Page 1, line 15, by striking <and> and inserting
- 10 <or>
- 11 5. Page 1, line 21, after <fees> by inserting <for
- 12 products or services>
- 13 6. Page 1, by striking lines 29 through 33 and
- 14 inserting <in annual dues, fees, or assessments for
- 15 products or services received from the organization,
- 16 and the total amount of any revenue or dividend
- 17 payments received from the organization. The
- 18 information shall be submitted to the>
- 19 7. Page 3, by striking lines 6 through 11 and
- 20 inserting:
- 21 <5. An organization shall not pay an employee
- 22 or officer of the organization, a member of the
- 23 organization's governing board, or a legislative
- 24 representative or lobbyist for the organization,
- 25 a bonus or other consideration of any type which is
- 26 in addition to compensation paid and published and
- 27 reported as required by subsection 4. In addition, the
- 28 organization shall not allow any other entity to pay an
- 29 employee or officer of the organization, a member of
- 30 the organization's governing board, or a legislative
- 31 representative or lobbyist for the organization for
- 32 services performed on behalf of the organization.
- 33 However, the organization may pay an employee a
- 34 commission if the terms for paying the commission
- 35 are in writing under an agreement which is a public
- 36 document and the employee's compensation, which shall
- 37 list the amount of the commission, is published and
- 38 reported in the same manner as provided in subsection
- 39 4.>
- 40 8. Title page, line 1, by striking <membership in
- 41 and membership dues paid to>
- 42 9. By renumbering as necessary.

**By HAGENOW of Polk**

H-1709 FILED MAY 4, 2011

SENATE FILE 516

H-1713

1 Amend Senate File 516, as passed by the Senate, as  
2 follows:

3 1. By striking everything after the enacting clause  
4 and inserting:

5 <Section 1. NEW SECTION. 422.11Y Energy system tax  
6 credits.

7 1. The taxes imposed under this division, less the  
8 credits allowed under section 422.12, shall be reduced  
9 by an energy system tax credit equal to the sum of the  
10 following:

11 a. Twenty-five percent of the federal residential  
12 energy efficient property credit related to solar  
13 energy and wind energy systems provided in section  
14 25D of the Internal Revenue Code, not to exceed three  
15 thousand dollars.

16 b. Twenty-five percent of the federal energy  
17 credit related to solar energy and wind energy systems  
18 provided in section 48 of the Internal Revenue Code,  
19 not to exceed fifteen thousand dollars.

20 2. Any credit in excess of tax liability is  
21 refundable. In lieu of claiming a refund, the  
22 taxpayer may elect to have the overpayment shown on the  
23 taxpayer's final, completed return credited to the tax  
24 liability for the following tax year.

25 3. a. An individual may claim the tax credit  
26 allowed a partnership, limited liability company, S  
27 corporation, estate, or trust electing to have the  
28 income taxed directly to the individual. The amount  
29 claimed by the individual shall be based upon the  
30 pro rata share of the individual's earnings of the  
31 partnership, limited liability company, S corporation,  
32 estate, or trust.

33 b. A taxpayer who is eligible to claim a credit  
34 under this section shall not be eligible to claim a  
35 wind energy production tax credit under chapter 476B or  
36 a renewable energy tax credit under chapter 476C.

37 4. The cumulative value of tax credits claimed  
38 annually by applicants pursuant to this section shall  
39 not exceed ten million dollars.

40 5. On or before January 1, annually, the department  
41 shall submit a written report to the governor and the  
42 general assembly regarding the number and value of  
43 tax credits claimed under this section, and any other  
44 information the department may deem meaningful and  
45 appropriate.

46 Sec. 2. Section 422.33, Code 2011, is amended by  
47 adding the following new subsection:

48 NEW SUBSECTION. 29. a. The taxes imposed under  
49 this division shall be reduced by an energy system tax  
50 credit equal to twenty-five percent of the federal

1 energy credit related to solar energy and wind energy  
2 systems provided in section 48 of the Internal Revenue  
3 Code, not to exceed fifteen thousand dollars.

4 b. The taxpayer may claim the credit pursuant to  
5 this subsection according to the same requirements,  
6 conditions, and limitations as provided pursuant to  
7 section 422.11Y.

8 Sec. 3. Section 476B.4, Code 2011, is amended to  
9 read as follows:

10 476B.4 Limitation.

11 1. The wind energy production tax credit shall not  
12 be allowed for any kilowatt-hour of electricity that  
13 is sold to a related person. For purposes of this  
14 section, persons shall be treated as related to each  
15 other if such persons would be treated as a single  
16 employer under the regulations prescribed under section  
17 52(b) of the Internal Revenue Code. In the case of a  
18 corporation that is a member of an affiliated group  
19 of corporations filing a consolidated return, such  
20 corporation shall be treated as selling electricity to  
21 an unrelated person if such electricity is sold to such  
22 a person by another member of such group.

23 2. A taxpayer who is eligible to claim a wind  
24 energy production tax credit under this chapter shall  
25 not be eligible to claim an energy system tax credit  
26 under section 422.11Y or 422.33.

27 Sec. 4. Section 476C.2, Code 2011, is amended by  
28 adding the following new subsection:

29 NEW SUBSECTION. 3. A taxpayer who is eligible to  
30 claim a renewable energy tax credit under this chapter  
31 shall not be eligible to claim an energy system tax  
32 credit under section 422.11Y or 422.33.

33 Sec. 5. EFFECTIVE UPON ENACTMENT. This Act, being  
34 deemed of immediate importance, takes effect upon  
35 enactment.

36 Sec. 6. RETROACTIVE APPLICABILITY. This Act  
37 applies retroactively to tax years beginning on or  
38 after January 1, 2011.>

39 2. Title page, striking lines 1 through 3, and  
40 inserting <An Act providing for specified energy  
41 system tax credits, and including effective date and  
42 retroactive>

COMMITTEE ON WAYS AND MEANS

SANDS of Louisa, Chairperson



SENATE FILE 519

H-1707

1 Amend the amendment, H-1680, to Senate File 519,  
2 as amended, passed, and reprinted by the Senate, as  
3 follows:

4 1. Page 1, by striking lines 11 and 12 and  
5 inserting <boards and the urban education network. The  
6 school board may pay>

7 2. Page 1, after line 29 by inserting:

8 <\_\_\_\_. Page 6, after line 2 by inserting:

9 <Sec. \_\_\_\_ APPLICATION OF PUBLIC MEETINGS AND  
10 OPEN RECORDS LAWS TO PRIVATE SECTOR, FOR-PROFIT  
11 ORGANIZATIONS -- INTERIM STUDY COMMITTEE REQUESTED.

12 1. The legislative council is requested to  
13 establish an interim study committee to consider the  
14 application of chapters 21 and 22, regarding open  
15 meetings and open records, and specific public audit  
16 procedures to private taxpaying entities.

17 2. The interim study committee shall include  
18 members representing both political parties and both  
19 houses of the general assembly, individuals with  
20 general knowledge concerning Iowa's open meetings and  
21 open records laws, and individuals with legal expertise  
22 regarding Iowa's open meetings and open records laws  
23 including but not limited to representatives of the  
24 attorney general's office and the secretary of state's  
25 office, private sector attorneys, and others with legal  
26 expertise regarding open meetings and open records  
27 laws.

28 3. The interim study committee shall review the  
29 implications to both public and private entities  
30 impacted by widening the scope of the open meetings  
31 and open records laws to include private for-profit  
32 entities and shall determine if such a change would  
33 increase costs or reduce competition.

34 4. The interim study committee shall submit a final  
35 report to the governor and the general assembly by  
36 December 31, 2011.>>

37 3. By renumbering as necessary.

**By** KOESTER of Polk

H-1707 FILED MAY 4, 2011



SENATE FILE 519

H-1710

1 Amend Senate File 519, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 1, by striking lines 7 through 10 and  
4 inserting:

5 <b. "Organization" means an organization whose  
6 primary function is to provide guidance to the board  
7 of directors of a school district on school finance,  
8 policy, or legislative matters, and to which a school  
9 board>

10 2. Page 1, by striking lines 14 through 26 and  
11 inserting:

12 <2. a. The board of directors of a school district  
13 and its duly elected members may join or participate  
14 in organizations, including but not limited to  
15 organizations such as the Iowa association of school  
16 boards, the urban education network, and Iowa school  
17 finance information services. The school board may pay  
18 out of funds available to the school board reasonable  
19 monetary fees for products or services or annual  
20 dues for membership of the school board or a board  
21 member or for the entire school district in such an  
22 organization. Such an organization that receives fees  
23 or dues for membership from a school board shall be  
24 considered a taxpayer-funded organization. A school  
25 district may pay out of funds available to the school  
26 board annual dues for membership in an entity for  
27 school administrators, students, teachers, or other  
28 individuals who are not school board members but the  
29 entity to which the school district pays dues on behalf  
30 of school administrators, students, teachers, or other  
31 individuals who are not school board members, shall  
32 not be considered an organization for purposes of this  
33 section and the provisions of this section shall not  
34 apply to such an entity. A private sector for-profit  
35 organization organized under chapter 490, 496C, 497,  
36 499, or 501A, that operates solely as a vendor for  
37 goods used in the ordinary course of school operation  
38 or for services customarily provided to a school  
39 district shall not be considered a taxpayer-funded  
40 organization for purposes of this section.>

**By** HAGENOW of Polk

H-1710 FILED MAY 4, 2011

SENATE FILE 531

H-1712

- 1 Amend Senate File 531, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 8, line 33, after <214A.2.> by inserting
- 4 <In ensuring that biodiesel blended fuel meets the
- 5 classification requirements of this section, the
- 6 department shall take into account reasonable variances
- 7 due to testing and other limitations.>
- 8 2. By renumbering as necessary.

By PAUSTIAN of Scott  
KAUFMANN of Cedar

H-1712 FILED MAY 4, 2011



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**SF 531** – Biofuel Retail and Production Incentives (LSB1834SZ.1)

Analyst: Jeff Robinson (Phone: 515-281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))

Fiscal Note Version – As Passed by the Senate

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**Description**

**Senate File 531**, as passed by the Senate, amends and extends the current system of ethanol and biodiesel tax incentives. The Bill also creates a biodiesel production payment financed through a General Fund refund process. Finally, the Bill allocates \$3.0 million annually from the Statutory Allocations Fund to renewable fuels infrastructure and reduces an allocation to the Underground Storage Tank Program by the same amount.

**For biodiesel fuel:**

- Extends the tax credit sunset from December 31, 2011, to December 31, 2017.
- Eliminates the requirement that a retailer's diesel gallon sales must meet a threshold of at least 50.0% biodiesel to qualify for the tax credit.
- Establishes per-gallon tax credit rates to replace the current two cents per gallon rate for B-2 and above gallons. The new tax credit rates are:
  - Calendar year (CY) 2012 = two cents per gallon for B-2 and four and one-half cents per gallon for B5 and above.
  - CY 2013 through CY 2017 = four and one-half cents per gallon for B-5 and above.
- Creates a per gallon production payment for each gallon of pure biodiesel produced in the State by a qualified manufacturer. The payment is available for the first 25 million gallons produce by a facility in each of three calendar years. The production payment is financed through a State refund process, not a State appropriation, and the payment is made on a quarterly basis.
  - Three cents per gallon produced in CY 2012
  - Two and one-half cents per gallon produced in CY 2013
  - Two cents per gallon produced in CY 2014

**For ethanol fuel:**

- Eliminates the phase-down of the current E-85 credit and replaces it with a 16 cent per gallon credit effective January 1, 2012, through December 31, 2017.
- Creates a new tax credit for ethanol blends between E-15 and E-69 (E-70 to E-85 is defined as E-85). The new tax credit equals:
  - Three cents for CY 2012 through CY 2014
  - Two cents for CY 2015 through CY 2017
- Increases the Ethanol Promotion Tax Credit earned for pure biofuel gallons sold, beginning July 1, 2012.
- Allows retail fuel dealers to claim the Ethanol Promotion Tax Credit on location by location basis or a company-wide basis. Current law requires all retailers to calculate the credit on a location by location basis.

***For Renewable Fuels Infrastructure:***

- The Bill reduces the annual Underground Storage Tank (UST) Program allocation from the Statutory Allocations Fund. The allocation is reduced from the current \$17.0 million per year to \$14.0 million per year.
- The Bill allocates \$3.0 million per year from the Statutory Allocations Fund to the Renewable Fuels Infrastructure Board, and transfers administrative responsibility for the Board from the Department of Economic Development to the Department of Agriculture and Land Stewardship.

**Assumptions – Biodiesel Tax Credits**

The Department of Revenue 2010 Retailers Motor Fuel Gallons Annual Report states that a total of 239.8 million gallons of B-2 or higher biodiesel gallons were sold at retail in CY 2010, based on reports filed with the Department by retailers. The retail sales assumptions for future biodiesel sales are provided in **Table 1**. The table lists those gallons qualifying for a tax credit only.

**Table 1 – Biodiesel Retail Sales Projection**

	In Millions of Gallons			
	B-4 and Lower	B-5 and Higher	Total Biodiesel Blended Gallons	Pure Biodiesel Gallons
CY 2011	181.8	51.3	233.1	6.9
CY 2012	219.2	61.8	281.0	8.3
CY 2013	175.3	116.9	292.2	10.4
CY 2014	180.6	120.4	301.0	10.7
CY 2015	186.0	124.0	310.0	11.0
CY 2016	191.6	127.7	319.3	11.3
CY 2017	197.3	131.6	328.9	11.7

Tax credits earned in CY 2011 are assumed to impact FY 2012 (60.0%), FY 2013 (30.0%), and FY 2014 (10.0%). Succeeding calendar year credits impact future fiscal years in the same pattern.

**Assumptions – Biodiesel Production Payment**

The gallons of biodiesel projected to be eligible for the production payment are listed in **Table 2**, along with the fiscal year impact of the quarterly production payments.

**Table 2 - Biodiesel Production Payment Projection**

	Payment- Qualified Gallons in Millions	Fiscal Year	Production Payments in Millions
CY 2012	\$ 97.3	FY 2012	\$ 0.7
CY 2013	121.8	FY 2013	2.9
CY 2014	132.5	FY 2014	2.9
CY 2015	-	FY 2015	2.0
	<u>\$ 351.6</u>		<u>\$ 8.6</u>

**Assumptions – Ethanol Tax Credits**

The Department of Revenue 2010 Retailers Motor Fuel Gallons Annual Report states that a total of 1.290 billion gallons of E-9 or higher ethanol gallons were sold at retail in CY 2010, based on reports filed with the Department by retailers. The future retail sales assumptions for ethanol gallons are provided in **Table 3**.

**Table 3 – Ethanol Retail Sales Projection**

In Millions of Gallons						
	E-09 to E-14	E-15 to E-29	E-30 to E-69	E-70 to E-85	Total Ethanol Blended Gallons	Pure Ethanol Gallons
CY 2011	1,308.0	8.0	2.0	12.0	1,330.0	141.8
CY 2012	1,310.8	28.0	4.0	16.5	1,359.3	150.7
CY 2013	1,294.2	68.0	6.0	21.0	1,389.2	161.2
CY 2014	1,264.3	108.0	8.0	25.5	1,405.8	170.4
CY 2015	1,234.7	148.0	10.0	30.0	1,422.7	179.6
CY 2016	1,205.3	188.0	12.0	34.5	1,439.8	188.8
CY 2017	1,176.1	228.0	14.0	39.0	1,457.1	198.1

The Ethanol Promotion Tax Credit is available for retailers meeting a specified threshold of pure biofuel sales compared to their total retail gasoline sales. The required threshold increases each year and there are reduced tax credit levels available for retailers within 4.0 percentage points of the annual threshold for the year. For calculation of the projected Ethanol Promotion Tax Credit, the assumed gallons qualifying for at least the lowest level of tax credit available that year are listed in the right hand column of **Table 4**.

**Table 4 – Ethanol Promotion Credit Gallons**

	Minimum Threshold to Receive an Ethanol Promotion Tax Credit	Millions of Pure Biofuel Gallons Receiving Ethanol Promotion Tax Credit
CY 2011	8.0%	115.1
CY 2012	9.0%	106.5
CY 2013	10.0%	94.4
CY 2014	11.0%	81.5
CY 2015	13.0%	64.8
CY 2016	15.0%	40.0
CY 2017	17.0%	18.9

To determine the fiscal impact of the Bill, the projected redemption of current-law retail sales incentives must be subtracted from the projected incentives under the Bill. **Table 5** provides the projected retail tax credits for ethanol and biodiesel under current law.

**Table 5 – Tax Credits Under Current Law**

	Ethanol			Total Biofuel
	E-85 Tax Credit in Millions	Promotion Tax Credit in Millions	Biodiesel Tax Credit in Millions	Tax Credits in Millions
CY 2011	\$ 1.2	\$ 4.1	\$ 7.0	\$ 12.3
CY 2012	1.3	3.6	0.0	4.9
CY 2013	1.4	3.0	0.0	4.3
CY 2014	1.4	2.3	0.0	3.6
CY 2015	1.3	1.5	0.0	2.8
CY 2016	1.2	1.0	0.0	2.2
CY 2017	1.1	0.3	0.0	1.4

Tax credits earned in CY 2011 are assumed to impact FY 2012 (60.0%), FY 2013 (30.0%), and FY 2014 (10.0%). Succeeding calendar year credits impact future fiscal years in the same pattern.

### **Assumptions – Statutory Allocations Fund Changes**

The Statutory Allocations Fund receives revenue from transportation fee and license sources that are not restricted by the Iowa Constitution for expenditure on roads only. The UST Program currently receives \$17.0 million per year from the Fund and the allocation does not sunset. The UST Program uses the funds to reimburse site owners for environmental cleanup costs incurred at locations with petroleum contaminated.

Program financial projections indicate that while the Program has a cash balance in excess of \$20.0 million, its projected cleanup reimbursement liabilities exceed current funds available so future allocations are required to fully reimburse all claims outstanding. However, the Program appears to have sufficient cash flow to meet annual reimbursement requirements going forward at a lowered annual allocation of \$14.0 million as proposed in the Bill.

Although the UST annual allocation from the Statutory Allocations Fund does not sunset, it is assumed that at some point the UST Program will be funded sufficiently to cover all outstanding liabilities and the allocation can be terminated. Once terminated, excess funds in the Statutory Allocations Fund flow to the Road Use Tax Fund unless directed elsewhere.

### **Fiscal Impact**

Redemption by taxpayers of the revised and extended refundable ethanol and biodiesel retail tax credits, along with the new biodiesel production payment, is projected to reduce net General Fund tax revenue by \$90.0 million from FY 2012 through FY 2020. The left portion of **Table 6** provides a calendar year projection of the retail tax credits for ethanol and biodiesel fuel under the proposed incentive system and subtracts from those projections the assumed tax credit redemptions under current law. The right side of **Table 6** converts the calendar year projections to a fiscal year basis and adds the biodiesel production payments. The far right hand column provides the combined fiscal impact of the Bill by fiscal year. The fiscal impact is the increase in retail and production incentives over the projected incentives under current law.

**Table 6 – General Fund Fiscal Impact Projections**

Dollars in Millions									
	Proposed Retail Ethanol Tax Credits	Proposed Retail Biodiesel Tax Credits	Total Proposed Retail Tax Credits	Subtract Current Law Tax Credits	Tax Credit Increase CY Basis	Fiscal Year	Retail Credit Increase FY Basis	Biodiesel Production Payment FY Basis	Combined Net General Fund Revenue Reduction
CY 2011	\$6.1	\$7.0	\$13.1	(\$12.3)	\$0.8	FY 2012	\$0.5	\$0.7	\$1.2
CY 2012	8.9	7.2	16.1	(4.9)	11.2	FY 2013	7.0	2.9	9.9
CY 2013	10.2	5.3	15.5	(4.3)	11.2	FY 2014	10.2	2.9	13.1
CY 2014	11.5	5.4	16.9	(3.6)	13.3	FY 2015	12.4	2.0	14.4
CY 2015	11.0	5.6	16.6	(2.8)	13.8	FY 2016	13.4	0.0	13.4
CY 2016	11.2	5.7	16.9	(2.2)	14.7	FY 2017	14.3	0.0	14.3
CY 2017	11.9	5.9	17.8	(1.4)	16.4	FY 2018	15.6	0.0	15.6
	\$70.8	\$42.1	\$112.9	(\$31.5)	\$81.4	FY 2019	6.4	0.0	6.4
						FY 2020	1.6	0.0	1.6
							\$81.4	\$8.6	\$90.0

The ethanol and biodiesel retail tax credits are refundable and the biodiesel production payment is not a tax credit, so neither will impact the Local Option Income Surtax for schools.

The Bill also lowers the annual revenue dedicated to UST Program environmental cleanup of petroleum contamination by \$3.0 million and increases annual revenue for Renewable Fuel Infrastructure by the same amount. This action delays the future date when the UST annual allocation will no longer be necessary.

**Sources**

Department of Revenue 2010 Retailers Motor Fuel Gallons Annual Report  
Legislative Services Agency Analysis  
Department of Revenue Contingent Tax Credit Liabilities Report (March 2011)  
Iowa Renewable Fuels Association (Urbanchuk, 2011)  
UST Fund Board projections

/s/ Holly M. Lyons

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May 4, 2011

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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